

Message Text

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64

ACTION EB-11

INFO OCT-01 EA-11 ISO-00 EUR-25 DODE-00 NSAE-00 RSC-01

TRSE-00 AEC-11 CIAE-00 COME-00 MC-02 SS-20 NSC-07

NSCE-00 L-03 DRC-01 /093 W
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R 260131Z AUG 74

FM USLO PEKING

TO SECSTATE WASHDC 2283

INFO AMCONSUL HONG KONG

C O N F I D E N T I A L PEKING 1450

E.O. 11652: GDS

TAGS: ETRD

SUBJECT: SALE OF COMPUTER TO PRC BY CONTROL DATA CORPORATION

REF: PEKING 730 AND 1268

1. CONTROL DATA CORPORATION (FRANCE) TOGETHER WITH COMPAGNIE GENERALE DE GEOPHYSIQUE (CGG) SIGNED A CONTRACT WITH THE CHINA NATIONAL TECHNICAL IMPORT CORPORATION ON AUGUST 14 FOR THE SALE OF A DATA PROCESSING CENTER THAT WOULD BE USED FOR PROCESSING OF OIL EXPLORATION DATA. CONSUMPTION OF THE DEAL WILL DEPEND ON WHETHER CDC WILL BE ABLE TO OBTAIN A US EXPORT LICENSE FOR A CYBER 712/4 CDC COMPUTER AND ASSOCIATED SOFTWARE. THE CONTRACT TOTALS ABOUT DOLS 6.7 MILLION, OF WHICH SOME DOLS 5 MILLION WOULD ACCRUE TO CDC MOSTLY FOR EQUIPMENT THAT WOULD COME FROM THE US. THE CENTER WOULD BE INSTALLED NEAR PEKING.

2. THIS INFORMATION COMES IN PART FROM BERTRAND IMBERT, DIRECTOR GENERAL OF CDC FRANCE AND IN PART FROM THE ACTING COMMERCIAL COUNSELOR OF THE FRENCH EMBASSY, R. LAGIER. IMBERT CALLED AT USLO BEFORE THE CONTRACT WAS CONCLUDED TO DISCUSS HIS CONCERN ABOUT THE EXPORT CONTROL ASPECTS OF THE SALE, BUT DID NOT SUBSEQUENTLY INFORM US OF THE RESULTS OF HIS NEGOTIATIONS. WE DID NOT LEARN OF
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THE SALE UNTIL WE MADE AN ATTEMPT TO LOCATE IMBERT WHO

WE FOUND HAD LEFT PEKING ON AUGUST 15.

3. WE UNDERSTAND THAT, IN ACCORD WITH THEIR USUAL POLICY, THE CHINESE REFUSED TO FILL IN THE FORMAL END-USE STATEMENT, BUT THAT THEY PROVIDED CDC WITH A LETTER CONTAINING MOST, IF NOT ALL, OF THE PERTINENT INFORMATION. A MAIN STICKING POINT WAS THE CHINESE ADAMANT REFUSAL TO STIPULATE THAT THE SELLERS HAVE A RIGHT TO MAKE SUBSEQUENT VISITS ON REQUEST, WHICH EXPORT CONTROL REGULATIONS MAY REQUIRE FOR PURPOSES OF VERIFYING END-USE. CDC BELIEVES, HOWEVER, THAT THIS REQUIREMENT MAY BE SATISFIED BY VIRTUE OF THE FACT THAT THE CONTRACT PROVIDES FOR CDC FRANCE TECHNICIANS TO BE AT THE SITE NOT ONLY DURING CONSTRUCTION BUT ALSO FOR SOME TIME AFTER OPERATIONS BEGIN.

4. ANOTHER PROBLEM THE SELLERS FACED DURING NEGOTIATIONS WAS THE NEED FOR PROTECTION IN THE EVENT AN EXPORT LICENSE IS NOT OBTAINED. THE CHINESE REFUSE TO INCLUDE IN CONTRACTS EXPLICIT ESCAPE CLAUSES TIED TO UNCERTAINTIES OF EXPORT LICENSING. TO RESOLVE THE MATTER, THE CHINESE AGREED TO ACCEPT A LETTER FROM THE SELLERS EXPRESSING THEIR UNDERSTANDING THAT PENALTIES IN THE CONTRACT FOR NON-FULFILLMENT WOULD NOT APPLY SHOULD AN EXPORT LICENSE NOT BE GRANTED.

5. ACCORDING TO LAGIER THE NEGOTIATIONS WERE VERY DIFFICULT AND ALMOST BROKE DOWN OVER PRICE, AND AT ONE POINT TECHIMPORT ASKED THE FRENCH EMBASSY TO INTERCEDE WITH THE FRENCH NEGOTIATING TEAM WHICH WANTED TO END THE TALKS AND RETURN HOME. WE HAVE LEARNED THAT PARALLEL NEGOTIATIONS WITH A CANADIAN GROUP (WHICH INCLUDED CDC CANADA) FOR A SIMILAR FACILITY BROKE OFF UNSUCCESSFULLY ABOUT SIX WEEKS AGO.
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Disposition Date: 28 MAY 2004
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